Kazakhstan Emissions Trading Scheme

General Information

Summary

**Status:** ETS in force

**Jurisdictions:** Kazakhstan

Kazakhstan launched its ETS (KAZ ETS) in January 2013. The groundwork for the ETS development was laid out in 2011 through amendments and additions to Kazakhstan’s environmental legislation. The system was temporarily suspended in 2016-2017 to tackle operational issues and reform allocation rules. MRV obligations applied during the suspension time. Amendments to the ‘Environmental Code’ were passed in 2016 to improve the MRV system, as well as the overall GHG emissions regulation and operation of the KAZ ETS. Further amendments to the Environmental Code in 2017 laid the groundwork for the introduction of benchmarking.

The current ‘National Allocation Plan’ for 2021 sets a cap of 159.9 MtCO2 for the year, with 225 participating installations belonging to 130 operators. According to the new Environmental Code, which will come into force in July 2021, the next National Allocation Plan will be developed for five years.

Year in Review

2020 was the last year of the third phase of KAZ ETS operation, and the new National Allocation Plan was issued to set the cap for the year 2021. In the third phase, participating operators could choose the allocation method between grandparenting and product-based benchmarking. A full transition to benchmarking has been made for the current phase.

Overall GHG emissions (excluding LULUCF) **Emissions:** 396.6 MtCO2e (2018)

<table>
<thead>
<tr>
<th>Sector Name</th>
<th>MtCO2e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy (305.1)</td>
<td>305.1</td>
</tr>
<tr>
<td>Transportation (26.1)</td>
<td>26.1</td>
</tr>
<tr>
<td>Industrial processes (22.4)</td>
<td>22.4</td>
</tr>
<tr>
<td>Agriculture (36.2)</td>
<td>36.2</td>
</tr>
<tr>
<td>Waste (6.8)</td>
<td>6.8</td>
</tr>
</tbody>
</table>

GHG reduction target

**BY 2030:** 15% (unconditional) to 25% (conditional) reduction from 1990 GHG levels (NDC)

**BY 2050:** 40% CO2 emission reduction in power sector from 2012 levels (2013 Concept of Transition to Green Economy)

Carbon Price

*Current Allowance Price (per tCO2e):* KZT 456 (USD 1.10) (average 2020 price)
ETS Size

<table>
<thead>
<tr>
<th>Covered emissions</th>
<th>0.41</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHGs covered</td>
<td>CO2 only</td>
</tr>
</tbody>
</table>

**Sectors and thresholds**

- **PHASE TWO (2014-2015):** Same as Phase 1
  (2016-2017: System suspended)
- **PHASE FOUR (2021):** Same as Phase 3

**Point of regulation**
Downstream

**Number of entities**
130 companies (225 installations)

**Cap**

- **PHASE ONE (2013):** 147 MtCO2 (plus new entrants’ reserve of 20.6 MtCO2). This equalled a stabilization of the capped entities’ emissions at 2010 levels.
- **PHASE TWO (2014-2015):** 2014: 154.9 MtCO2 (plus a reserve of 18 MtCO2); 2015: 152.8 MtCO2 (plus a reserve of 20.5 MtCO2). This represented reduction targets of 0% and 1.5% respectively, compared to the average CO2 emissions of capped entities in 2011-2012.
  (2016-2017: System suspended)
- **PHASE THREE (2018-2020):** 485.9 MtCO2 (plus a reserve of 35.3 MtCO2). The cap was set at a 5% reduction by 2020 from 1990 levels. The cap was allocated for the overall compliance period of 2018-2020; there was no yearly cap.
- **PHASE FOUR (2021):** 159.9 MtCO2 (plus a reserve of 11.5 MtCO2).

Phases & Allocation

**Trading periods**

- **PHASE ONE:** 1 year (2013)
- **PHASE TWO:** 2 years (2014-2015)
- **PHASE THREE:** 3 years (2018-2020)
- **PHASE FOUR:** 1 year (2021)
  (2016-2017: system suspended)

According to the new Environmental Code, which will come into force in July 2021, the next National Allocation Plan will be developed for five years.

**Allocation**

- **PHASE TWO (2014-2015):** Grandparenting (0% and 1.5% below 2011-2012 average emissions), with a reserve of 18 MtCO2 in 2014 and 20.5 MtCO2 in 2015.
  (2016-2017: System suspended)
- **PHASE THREE (2018-2020):** Allocation based on grandparenting or product-based benchmarking, chosen by each company (149 installations chose benchmarking and
76 installations chose grandparenting). A reserve contained 35.3 million allowances to accommodate for new entrants, new stationary emission sources, and changes in output in case of the choice of benchmarking.

**PHASE FOUR (2021):** Benchmarking. A reserve contains 11.5 million allowances.

### Flexibility

<table>
<thead>
<tr>
<th>Banking and borrowing</th>
<th>Banking is allowed within each trading period (one phase). Banking between trading periods is not possible.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offsets and credits</td>
<td><strong>Qualitative Limits:</strong> Domestic offsets in all economic sectors (GHG reduction or absorption activities), except for emissions reductions at the installations covered by the ETS. Project applicants can submit their projects for consideration to the Ministry of Ecology, Geology and Natural Resources in order to obtain approval and gain offset credits. The approval of carbon offsets and the provision of offset credits are carried out in accordance with IPCC methodologies and the rules developed and approved by the Ministry of Ecology, Geology and Natural Resources. <strong>Quantitative Limits:</strong> None.</td>
</tr>
<tr>
<td>Market Stability Provisions</td>
<td>No information available yet.</td>
</tr>
</tbody>
</table>

### Compliance

<table>
<thead>
<tr>
<th>Compliance Period</th>
<th>One year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring, Reporting, Verification (MRV)</td>
<td><strong>REPORTING FREQUENCY:</strong> Reporting is required annually for businesses or financial facilities above the 20,000 tCO2/year threshold. Annual reporting also is required for operators of installations with emissions between 10,000 tCO2/year and 20,000 tCO2/year (so-called “subjects to administration”), even though these operators are not required to participate in the ETS or to verify annual emission reports. Aside from CO2, reporting also is required for CH4, N2O, and PFCs emissions. <strong>VERIFICATION:</strong> Emissions data reports and their underlying data require third-party verification by an accredited auditor. <strong>FRAMEWORK:</strong> Environmental Code of the Republic of Kazakhstan.</td>
</tr>
<tr>
<td>Enforcement</td>
<td>The non-compliance penalty equals five monthly standard units for each tonne (approximately KZT 14,585/tCO2 (USD 35.32) in 2021). In 2013 and in 2014, penalties for noncompliance were waived.</td>
</tr>
</tbody>
</table>

### Linking

| Links with other systems | No information available yet. |

### Other Information

<p>| Institutions involved | Ministry of Energy; Ministry of Ecology, Geology and Natural Resources; |</p>
<table>
<thead>
<tr>
<th>Evaluation / ETS review</th>
<th>No information available yet.</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>No information available yet.</td>
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</tbody>
</table>

**Implementing Legislation**

- Environmental Code of the Republic of Kazakhstan (2021)
- National GHG Emission Quota Allocation Plan for 2021
- Rules for the allocation of quotas for GHG emissions and formation of reserves of the established number and volume of quotas
- Rules of trading greenhouse gas emission quota and carbon units
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